

Message Text

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PAGE 01 LIMA 02418 251814Z

51

ACTION IO-10

INFO OCT-01 STR-04 TAR-01 CEA-01 AGR-10 ISO-00 IOE-00

AF-06 ARA-10 EA-10 EUR-12 NEA-09 OIC-02 INRE-00 SSO-00

NSCE-00 USIE-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 AID-05

COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 DIWY-01 /147 W

----- 092512

O R 251720Z MAR 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 4458

INFO AMEMBASSY ALGIERS

AMEMBASSY BUCHAREST

AMEMBASSY TOKYO 164

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

US MISSION OECD PARIS 289

US MISSION GENEVA 188

USMISSION USUN NEW YORK

UNCLAS LIMA 2418

TOKYO FOR USDEL TO CNR; VIENNA FOR UNIDO

FROM USDEL UNIDO-II CONFERENCE

EO 11652: N/A

TAGS: UNIDO, EINV, EAID, AG, RO

SUBJECT: UNIDO-II-G-77 AND ROMANIAN DRAFT RES ON

ESTABLISHMENT OF INSURANCE SYSTEM FOR GUARANTEEING
CONTRACTS BETWEEN LDC'S AND INDUSTRIALIZED COUNTRY
ENTERPRISES.

REF: (A) LIMA 2394; (B) LIMA 2416; (C) LIMA 2417

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PAGE 02 LIMA 02418 251814Z

1. G-77 JOINED BY ROMANIA, HAVE INTRODUCED SOMEWHAT NARROWED
--BUT TO US UNACCEPTABLE--DRAFT RESOLUTION CONCERNING THE
ESTABLISHMENT OF AN INSURANCE SYSTEM FOR GUARANTEEING CONTRACTS
CONCLUDED BY THE DEVELOPING COUNTRIES WITH ENTERPRISES FROM
THE DEVELOPED COUNTRIES. EARLIER MORE COMPREHENSIVE
VERSION HAD BEEN INTRODUCED BY ALGERIANS AT G-77 ALGIERS
MINISTERIAL MEETING AND APPEARS HAVE LESS G-77 SUPPORT THAN
DRAFT RES REPORTED REF (C), LIKE REF (C), HOWEVER, G-77 MAY
PROPOSE IT BE REMANDED TO IDB.

2. FULL TEXT FOLLOWS: QUOTE THE SECOND GENERAL CONFERENCE OF
THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION CONSIDERING
THAT THE INTERESTS OF THE DEVELOPING COUNTRIES AS PURCHASERS OF
EQUIPMENT AND PLANTS FOR INDUSTRY FROM THE INDUSTRIALIZED COUNTRIES
AND AS EXPORTERS OF RAW MATERIALS, SEMI-MANUFACTURES AND
MANUFACTURED GOODS TO THE DEVELOPED COUNTRIES ARE INSUFFICIENTLY
PROTECTED,

MINDFUL THAT THE DEVELOPING COUNTRIES, IN THEIR INDUSTRIAL PROJECT
CONTRACTS WITH ENTERPRISES IN DEVELOPED COUNTRIES, GENERALLY HAVE
NO RIGHT OF INDEMNIFICATION OTHER THAN THE 'GUARANTEE RETAINER',
WHICH CANNOT UNDER ANY CIRCUMSTANCES COMPENSATE THEM FOR THE DAMAGE
THEY MAY SUFFER THROUGH DELAYS IN DELIVERY, MALFUNCTIONING OF
PURCHASED PLANTS OR NON-FULFILMENT OF CONTRACTUAL OBLIGATIONS
WITH REGARD TO QUALITY AND QUANTITY,

EMPHASIZES THAT THE 'GUARANTEE RETAINER', WHICH IS BASED ON 5
OR 10 PER CENT OF THE AMOUNT OF THE CONTRACT, REPRESENTS DERISORY
COMPENSATION IN COMPARISON WITH THE DAMAGE CAUSED TO THEIR
ECONOMIES BY THE DEFICIENCIES, DEFECTS, FAULTS AND LOSS OF
PROFIT THAT THEY SUSTAIN BECAUSE OF FREQUENT DIVERGENCE FROM THE
TERMS OF CONTRACTS BY OPERATORS IN THE DEVELOPED COUNTRIES,

MINDFUL THEREFORE, THAT WHERE DEFECTS LEAD TO PROLONGED
STOPPAGES OF EXPENSIVE INDUSTRIAL PLANTS, DEVELOPING COUNTRIES
ARE OBLIGED TO BEAR THE CONSEQUENCES ALONE, SUFFERING LOSSES
THAT MAY AMOUNT TO TWO OR THREE TIMES THE VALUE OF THE PROJECT
CONTRACT,

NOTING THAT ENTERPRISES IN DEVELOPED COUNTRIES REFUSE TO
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PAGE 03 LIMA 02418 251814Z

SHOULDER THE RESPONSIBILITIES INVOLVED IN THEIR UNDERTAKING TO
GUARANTEE, IN RESPECT OF THE WORK WHICH THEY ARE REQUIRED TO
CARRY OUT, THE COMPLETE FULFILMENT OF AGREED CONTRACT TARGETS
TARGETS CONCERNING PRODUCTION, TECHNICAL PERFORMANCE AND ECONOMIC
YIELDS,

NOTING ALSO THAT THE GOVERNMENTS OF THE DEVELOPED
COUNTRIES DEFEND THEIR ENTERPRISES WHENEVER THEY CONSIDER THAT

THE INTERESTS OF THOSE ENTERPRISES ARE AT STAKE BUT REFUSE TO MAKE REPRESENTATIONS TO THE ENTERPRISES IN QUESTION WHEN THEY PREJUDICE THE INTERESTS OF DEVELOPING COUNTRIES,

NOTING FURTHER THAT SOME ENTERPRISES IN THE DEVELOPED COUNTRIES REFUSE TO HONOUR THEIR OBLIGATIONS AS ESTABLISHED IN CONTRACTS FOR THE PURCHASE OF RAW MATERIALS, SEMI-MANUFACTURES AND MANUFACTURED GOODS FROM THE DEVELOPING COUNTRIES IF SHORT-TERM MARKET TRENDS INDICATE THAT THEY MIGHT INCUR LOSSES OR THAT THEIR PROFITS MIGHT BE DIMINISHED, THUS UNFAIRLY TRANSFERRING THE CONSEQUENCES OF UNFAVORABLE MARKET DEVELOPMENTS TO THE DEVELOPING COUNTRIES.

DECLARES THAT IT IS ESSENTIAL FOR THE PROMOTION OF JUST AND BALANCED INTERNATIONAL ECONOMIC RELATIONS THAT THE GOVERNMENTS OF THE DEVELOPED COUNTRIES SHOULD ESTABLISH AN INSURANCE SYSTEM TO PROTECT THE DEVELOPING COUNTRIES FROM THE RISKS TO WHICH THE LATTER ARE EXPOSED IN THEIR INDUSTRIAL CO-OPERATION WITH THE DEVELOPED COUNTRIES.

END QUOTE
DEAN

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